

# QUARTERLY REPORT

TRADING NAME OF LICENSEE: Bally's Park Place, Inc. (Bally's Atlantic City)

For The Quarter Ended September 30, 2004

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY

**BALANCE SHEETS**

AS OF SEPTEMBER 30, 2004 AND 2003

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and cash equivalents. ....	\$ 28,904	\$ 39,113
2	Short-term investments. ....	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 2004, \$ 4,332 ; 2003, \$ 4,850 ). . . . . NOTE 2 . . . . .	92,052	61,598
4	Inventories. ....	2,578	3,086
5	Prepaid expenses and other current assets. ....	6,717	5,223
6	Total current assets. ....	130,251	109,020
7	Investments, Advances, and Receivables. . . . . NOTES 1 and 3. . . . .	137,662	138,571
8	Property and Equipment - Gross. . . . . NOTES 1 and 4. . . . .	1,276,427	1,264,167
9	Less: Accumulated Depreciation/Amortization. . . . . NOTES 1 and 4. . . . .	(626,080)	(596,909)
10	Property and Equipment - Net. . . . .	650,347	667,258
11	Other Assets. . . . . NOTE 5. . . . .	17,799	17,804
12	Total Assets. ....	\$ 936,059	\$ 932,653
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts payable. ....	\$ 3,554	\$ 3,312
14	Notes payable. ....	-	-
	Current portion of long-term debt. ....		
15	Due to affiliates. ....	-	-
16	Other. ....	61	63
17	Income taxes payable and accrued. ....	-	-
18	Other accrued expenses. . . . . NOTE 6. . . . .	40,437	46,596
19	Other current liabilities. . . . . NOTE 7. . . . .	11,285	10,700
20	Total current liabilities. ....	55,337	60,671
	Long-Term Debt:		
21	Due to affiliates. . . . . NOTE 8. . . . .	584,000	583,500
22	Other. . . . . NOTE 8. . . . .	1,348	1,538
23	Deferred Credits. ....	-	-
24	Other Liabilities. . . . . NOTE 9. . . . .	1,593	1,877
25	Commitments And Contingencies. . . . . NOTE 1. . . . .	-	-
26	Total Liabilities. ....	642,278	647,586
27	Stockholders', Partners', Or Proprietor's Equity. ....	293,781	285,067
28	Total Liabilities And Equity. ....	\$ 936,059	\$ 932,653

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE	DESCRIPTION	2004	2003
(a)	(b)	(c)	(d)
	<b>REVENUE:</b>		
1	Casino .....	\$ 500,156	\$ 517,655
2	Rooms .....	40,123	38,105
3	Food and Beverage .....	69,263	72,968
4	Other .....	16,433	12,560
5	Total Revenue .....	625,975	641,288
6	Less: Promotional allowances .....	127,591	124,932
7	Net Revenue .....	498,384	516,356
	<b>COSTS AND EXPENSES:</b>		
8	Costs of Goods and Services .....	296,550	305,834
9	Selling, General, and Administrative .....	55,644	60,080
10	Provision for Doubtful Accounts .....	755	313
11	Total costs and expenses .....	352,949	366,227
12	Gross Operating Profit .....	145,435	150,129
13	Depreciation and amortization ..... NOTE 1...	34,103	31,501
	Charges from affiliates other than interest:		
14	Management fees ..... NOTE 10...	16,623	17,077
15	Other .....	---	---
16	Income (Loss) from Operations .....	94,709	101,551
	Other Income (Expenses):		
17	Interest (expense) - affiliates ..... NOTE 8...	(37,217)	(36,821)
18	Interest (expense) - external .....	(233)	(193)
19	Investment alternative tax and related income (expense) - net .....	3,175	(3,739)
20	Non-operating income (expense) - net ..... NOTE 11...	7,707	10,478
21	Total other income (expenses) .....	(26,568)	(30,275)
22	Income (Loss) Before Income Taxes and Extraordinary Items .....	68,141	71,276
23	Provision (credit) for income taxes ..... NOTE 1...	27,611	26,089
24	Income (Loss) Before Extraordinary Items .....	40,530	45,187
25	Extraordinary items (net of income taxes) .....	---	---
26	Net Income (Loss) .....	\$ 40,530	\$ 45,187

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	<b>REVENUE:</b>		
1	Casino .....	\$ 178,462	\$ 181,601
2	Rooms .....	15,980	15,323
3	Food and Beverage .....	24,706	25,668
4	Other .....	6,078	4,906
5	Total Revenue .....	225,226	227,498
6	Less: Promotional allowances .....	44,451	45,003
7	Net Revenue .....	180,775	182,495
	<b>COSTS AND EXPENSES:</b>		
8	Costs of Goods and Services .....	99,731	105,139
9	Selling, General, and Administrative .....	19,609	20,695
10	Provision for Doubtful Accounts .....	301	(599)
11	Total costs and expenses .....	119,641	125,235
12	Gross Operating Profit .....	61,134	57,260
13	Depreciation and amortization ..... NOTE 1. ...	11,434	10,887
	Charges from affiliates other than interest:		
14	Management fees ..... NOTE 10. ...	5,962	6,015
15	Other .....	---	---
16	Income (Loss) from Operations .....	43,738	40,358
	Other Income (Expenses):		
17	Interest (expense) - affiliates ..... NOTE 8. ...	(12,399)	(12,352)
18	Interest (expense) - external .....	(114)	(61)
19	Investment alternative tax and related income (expense) - net .....	1,495	(1,279)
20	Non-operating income (expense) - net ..... NOTE 11. ...	5,538	4,900
21	Total other income (expenses) .....	(5,480)	(8,792)
22	Income (Loss) Before Income Taxes and Extraordinary Items .....	38,258	31,566
23	Provision (credit) for income taxes ..... NOTE 1. ...	14,382	11,763
24	Income (Loss) Before Extraordinary Items .....	23,876	19,803
25	Extraordinary items (net of income taxes) .....	---	---
26	Net Income (Loss) .....	\$ 23,876	\$ 19,803

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

## STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2004

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid - In Capital (g)	----- ----- ----- (h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholder's Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2002	100	\$ 1			\$ 128,260		\$ 111,619	\$ 239,880
2	Net Income - 2003							43,371	43,371
3	Contribution to Paid - In Capital								
4	Dividends								
5	Prior Period Adjustments								
6	Distribution to PPE								
7									
8									
9									
10	Balance, December 31, 2003	100	\$ 1			128,260		154,990	283,251
11	Net Income - 2004							40,530	40,530
12	Contribution to Paid - In Capital								
13	Dividends							(30,000)	(30,000)
14	Prior Period Adjustments								
15									
16									
17									
18									
19	Balance, September 30, 2004	100	\$ 1			\$ 128,260		\$ 165,520	\$ 293,781

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CASH FLOWS

Page 1 of 2

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	Description (b)	2004 (c)	2003 (d)
<u>1</u>	Net Cash Provided (Used) By Operating Activities .....	\$ 45,718	\$ 69,617
	Cash Flows From Investing Activities:		
<u>2</u>	Purchase of short-term investment securities .....	---	---
<u>3</u>	Proceeds from the sale of short-term investment securities .....	---	---
<u>4</u>	Purchase outflows for property and equipment .....	(22,301)	(30,566)
<u>5</u>	Proceeds from disposition of property and equipment .....	925	406
<u>6</u>	Purchase of casino reinvestment obligations .....	(6,296)	(6,847)
<u>7</u>	Purchase of other investments and loans/advances made .....	(4,052)	(16)
<u>8</u>	Proceeds from disposal of investments and collection of advances and long-term receivables .....	19,096	660
<u>9</u>	Cash outflows to acquire business entities .....	755	(755)
<u>10</u>	.....	---	---
<u>11</u>	Net book values of disposals .....	---	---
<u>12</u>	Net Cash Provided (Used) By Investing Activities .....	(11,873)	(37,118)
	Cash Flows From Financing Activities:		
<u>13</u>	Cash proceeds from issuance of short-term debt .....	---	---
<u>14</u>	Payments to settle short-term debt .....	---	---
<u>15</u>	Cash proceeds from issuance of long-term debt .....	500	---
<u>16</u>	Costs of issuing debt .....	---	---
<u>17</u>	Payments to settle long-term debt .....	(144)	(85)
<u>18</u>	Cash proceeds from issuing stock or capital contributions .....	---	---
<u>19</u>	Purchases of treasury stock .....	---	---
<u>20</u>	Payments of dividends or capital withdrawals .....	(30,000)	---
<u>21</u>	Change in payable to/receivable from affiliate .....	(25,635)	(32,482)
<u>22</u>	.....	---	---
<u>23</u>	Net Cash Provided (Used) By Financing Activities .....	(55,279)	(32,567)
<u>24</u>	Net Increase (Decrease) In Cash And Cash Equivalents .....	(21,434)	(68)
<u>25</u>	Cash And Cash Equivalents At Beginning Of Period .....	50,338	39,181
<u>26</u>	Cash And Cash Equivalents At End Of Period .....	\$ 28,904	\$ 39,113

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Period For:		
<u>27</u>	Interest (net of amount capitalized) .....	\$ 37,450	\$ 37,014
<u>28</u>	Income taxes .....	\$ 27,611	\$ 26,089

The accompanying notes are an integral part of the financial statements.

## STATEMENTS OF CASH FLOWS

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	Description (b)	2004 (c)	2003 (d)
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net income (loss) .....	\$ 40,530	\$ 45,187
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment .....	34,103	31,501
31	Amortization of other assets .....	---	---
32	Amortization of Debt Discount or Premium .....	---	---
33	Deferred Income taxes - current .....	---	---
34	Deferred income taxes - noncurrent .....	---	---
35	(Gain) loss on disposition of property and equipment .....	(693)	(69)
36	(Gain) loss on casino reinvestment obligations .....	(3,175)	3,739
37	(Gain) loss from other investment activities .....	(5,736)	(9,141)
38	Net (increase) decrease in receivables and patrons' checks .....	(7,121)	179
39	Net (increase) decrease in inventories .....	669	409
40	Net (increase) decrease in other current assets .....	(2,093)	(917)
41	Net (increase) decrease in other assets .....	4	30
42	Net increase (decrease) in accounts payables .....	(1,591)	(7,316)
43	Net increase (decrease) in other current liabilities excluding debt .....	(8,909)	6,605
44	Net increase in other noncurrent liabilities excluding debt .....	(270)	(590)
45	Loss on extinguishment of debt, net of income tax benefit .....	---	---
46	Amortization of CRDA assets .....	---	---
47	Net Cash Provided (Used) By Operating Activities .....	\$ 45,718	\$ 69,617

## SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES

	<b>Acquisition Of Property And Equipment:</b>		
48	Additions to property and equipment .....	\$ 22,301	\$ 30,566
49	Less: Capital lease obligations incurred .....	---	---
50	Cash Outflows For Property And Equipment .....	\$ 22,301	\$ 30,566
	<b>Acquisition Of Business Entities:</b>		
51	Property and equipment acquired .....	\$ (755)	\$ 755
52	Goodwill acquired .....	---	---
53	Net assets acquired other than cash, goodwill, and property and equipment .....	---	---
54	Long-term debt assumed .....	---	---
55	Issuance of stock or capital invested .....	---	---
56	Cash Outflows To Acquire Business Entities .....	\$ (755)	\$ 755
	<b>Stock Issued Or Capital Contributions:</b>		
57	Total issuances of stock or capital contributions .....	\$ ---	\$ ---
58	Less: Issuances to settle long-term debt .....	---	---
59	Consideration in acquisition of business entities .....	---	---
60	Cash Proceeds From Issuing Stock Or Capital Contributions .....	\$ ---	\$ ---

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	589,834	\$ 23,403		\$
2	Food	2,294,454	29,136		
3	Beverage	7,063,426	14,127		
4	Travel			49,232	3,375
5	Bus Program Cash	944,741	14,605		
6	Other Cash Complimentaries	2,486,704	40,552		
7	Entertainment	102,289	511	6,963	870
8	Retail & Non-Cash Gifts	84,859	5,002	188,848	7,317
9	Parking	37,803	38	37,803	113
10	Other *	7,217	217	326,837	2,709
11	Total	13,611,327	\$ 127,591	609,683	\$ 14,384

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2004

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	202,024	\$ 8,932		\$
2	Food	809,143	10,491		
3	Beverage	2,445,367	4,891		
4	Travel			16,662	1,153
5	Bus Program Cash	323,315	5,257		
6	Other Cash Complimentaries	789,308	12,849		
7	Entertainment	37,192	185	2,398	299
8	Retail & Non-Cash Gifts	35,036	1,708	22,670	2,097
9	Parking	37,803	38	37,803	113
10	Other *	3,315	100	116,847	1,108
11	Total	4,682,503	\$ 44,451	196,380	\$ 4,770

\* No item in this category exceeds 5%.



**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and basis of presentation**

The accompanying financial statements include the accounts of Bally's Park Place, Inc., a New Jersey corporation (the "Company"), a wholly owned subsidiary of Caesars Entertainment, Inc. ("CEI"). In early January 2004, CEI changed its name from Park Place Entertainment to Caesars Entertainment. The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as "Bally's Atlantic City." The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations. The accompanying financial statements should be read in conjunction with the Casino Control Commission Quarterly Report for the year ended December 31, 2003.

All adjustments to the financial statements have been recorded and are, in the opinion of management, necessary for a fair presentation of the balance sheets of the Company at September 30, 2004 and 2003, and its statements of income for the three and nine months ended September 30, 2004 and 2003 and its statements of cash flows for the nine months ended September 30, 2004 and 2003. All such adjustments were of a normal recurring nature.

**Seasonal factors**

The Company's operations are subject to seasonal factors and, therefore, the results of operations of the three and nine months ended September 30, 2004 and 2003 are not necessarily indicative of the results of operations for the full year.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

**Revenue recognition and promotional allowances**

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The Statement of Income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

**Inventories**

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Property and equipment**

Property and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$11,434 and \$10,887 for the three months ended September 30, 2004 and 2003, respectively; and \$34,103 and \$31,501 for the nine months ended September 30, 2004 and 2003, respectively.

<u>Asset class</u>	<u>Life</u>
Buildings	40 years
Building improvements	3-10 years
Furniture, Fixtures and Equipment	3-10 years

**Connection Card Program**

During the 2nd quarter of 2003, the Company implemented the Connection Card Program. The Connection Card Program allows players to earn credits that may be accumulated over time and redeemed at their discretion at any CEI casino in the United States in accordance with the rules of the program. The Company records an estimated liability for the incremental cost of providing goods and services under the program at the time the credits are earned.

**Fair value of financial instruments**

The fair values of the Company's financial instruments including receivables, payables and debt approximate their recorded book values at September 30, 2004 and 2003.

**Investments in subsidiaries**

The Company has an investment in GNOC, Corp. (which owns and operates the casino hotel resort in Atlantic City known as the "Atlantic City Hilton"). The Company also has investments in two other subsidiaries, Atlantic City Country Club, Inc. and Bally's Land Ventures, Inc. The investments in all subsidiaries are reflected in the accompanying financial statements using the equity method.

On September 27, 2004, CEI entered into a definitive agreement to sell most of the assets and certain related liabilities of the Atlantic City Hilton as well as the assets of the Company and certain other affiliates of CEI to Resorts International Holdings, LLC ("Colony") an affiliate of Colony Capital, LLC, a Los Angeles based international private investment firm, for approximately \$612,000,000. The transaction is expected to close by the end of the first quarter of 2005 and is subject to customary closing conditions outlined in the purchase agreement. Upon closing, Colony anticipates operating the Atlantic City Hilton.

Under the terms of the definitive agreement, Colony will purchase certain land assets of Bally's Land Ventures Realty, Inc. and the Company (see Notes 3 & 4).

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Allocations and transactions with related parties**

The Company transfers cash in excess of its operating needs to CEI on a daily basis. CEI provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other CEI affiliates are consolidated, including limousine services, advertising, sales and marketing services, purchasing and certain other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable.

Beginning with the first quarter of 2004, the Company was allocated from CEI certain expenses, such as information technology, internal audit and risk management, which historically were considered corporate expenses. These expenses are allocated to the Company using various formulas based on estimates of utilization of such expenses. Management believes that the methods used to allocate these costs are reasonable.

**Accounting Pronouncements**

In November 2002, the FASB issued Interpretation No ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others." FIN No. 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply to guarantees issued or modified after December 31, 2002. Implementation of this Interpretation did not have a material impact on the Company's financial statements.

In 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 addresses consolidation of entities that are not controllable through voting interest or in which the equity investors do not bear the residual economic risks and rewards. These entities have commonly been referred to as special purpose entities. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the interest in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. Implementation of this Interpretation did not have a material impact on the Company's financial statements, as the Company does not have any variable interest entities.

**Income taxes**

Taxable income or loss of the Company is included in the consolidated Federal income tax return of CEI. The Company provides for income taxes by applying the respective state and federal statutory rates to pre-tax financial statement income. The corresponding liability or receivable is credited or charged to its corporate parent. Deferred income taxes and liabilities for temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by CEI in accordance with the tax sharing agreement between CEI and the Company.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**New Jersey tax legislation**

The New Jersey State Legislature passed a bill to increase taxes on the New Jersey casino industry, beginning in the State's fiscal year 2004 (starting July 1, 2003). Included in this legislation is a tax on net profits, taxes on certain complimentaries, and increases in parking, rooms and other fees. Profits tax expense is reflected in the provision for income taxes. Other taxes are reflected in selling, general and administrative expenses.

**Casino Reinvestment Development Authority**

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority (the "CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

An affiliate of the Company, Boardwalk Regency Corporation ("Caesars Atlantic City") has started construction of a new parking garage and has entered into an agreement with Pier Developers, Inc. for the renovation of the Ocean One Shopping Mall, located on the boardwalk in Atlantic City. The Company, Caesars Atlantic City and Atlantic City Hilton entered into a credit agreement (the "Credit Agreement") with the CRDA to partially finance the construction of these projects. The Credit Agreement provides for funding from the CRDA for qualified development costs incurred. The CRDA funding will come from amounts either currently on deposit or to be deposited with the CRDA pursuant to the Company and its affiliates' investment obligations. For the nine months ended September 30, 2004, the Company has received \$18,451 of previously deposited funds from the CRDA. Upon receipt of these funds, the Company recognized a reduction of \$6,089 in reserves, to reflect its current estimated realizable value of its remaining CRDA investments.

The twelve Atlantic City casino properties (the "AC Industry") and the CRDA have entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry will provide \$34 million over a four year period to the NJSEA and must deposit another \$62 million into the Casino Expansion Fund (managed by the CRDA). The \$62 million will be derived from funds either currently on deposit or to be deposited with the CRDA pursuant to each casino property's investment obligation. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company estimates this commitment over the four year period to be \$4,800 the first payment of which is to be made November 2004. This amount will be charged to operations on a straight line basis through January 1, 2009. Once the Company meets its deposit obligation related to its fair share of the \$62 million, the Company is eligible to receive funds from the Casino Expansion Fund for qualified construction expenditures. The Company has until June 30, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
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required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

**Merger Agreement**

On July 14, 2004, CEI, Harrah's Entertainment, Inc. ("Harrah's") and Harrah's Operating Company, Inc., a wholly-owned subsidiary of Harrah's, entered into an Agreement and Plan of Merger (the "Merger Agreement"), providing for the merger of CEI with and into Harrah's Operating Company, Inc., which would be the surviving corporation.

The transaction with Harrah's is subject to a number of conditions, including, among other things the approval and adoption of the Merger Agreement by the stockholders of CEI and Harrah's and upon receipt of all necessary antitrust, gaming and other approvals, and the satisfaction or waiver of all other conditions precedent.

**NOTE 2 – RECEIVABLES AND PATRONS' CHECKS**

Receivables and patrons' checks as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Casino receivables (net of allowance for doubtful accounts – \$4,187 in 2004 and \$4,710 in 2003)	\$ 6,519	\$ 6,372
Other (net of allowance for doubtful accounts – \$145 in 2004 and \$140 in 2003)	4,668	5,028
Due from CEI	66,914	44,186
Due from Caesars Atlantic City	11,089	3,385
Due from affiliates	<u>2,862</u>	<u>2,627</u>
	<u>\$ 92,052</u>	<u>\$ 61,598</u>

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES**

Investments, advances and receivables as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Investment in wholly owned subsidiaries (see Note 1):		
Atlantic City Country Club, Inc.	\$ 14,095	\$ 15,031
Bally's Land Ventures Realty, Inc.	14,342	15,097
GNOC, Corp.	<u>76,643</u>	<u>70,959</u>
Total investment in subsidiaries	105,080	101,087
Casino Reinvestment Development Authority		
Investment obligations (less valuation reserves of \$13,005 in 2004 and \$17,415 in 2003)	27,365	35,864
Jacobs Family Terrace mortgage receivable (less reserve of \$250 in 2004 and 2003)	1,092	1,272
Long-term receivable from GNOC, Corp.	-	276
Long-term deposits	<u>4,125</u>	<u>72</u>
	<u>\$ 137,662</u>	<u>\$ 138,571</u>

The Company, GNOC, Corp. and the CRDA entered into a credit exchange agreement and an investment agreement in 1998. The credit exchange agreement permits the exchange of certain current and future CRDA obligations between the Company and GNOC, Corp. resulting in the long-term receivable from GNOC, Corp. The investment agreement provides an investment plan for use of certain current and future CRDA funds.

All the assets of Bally's Land Ventures Realty, Inc. are held for sale to Colony (see Note 1).

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Land	\$ 112,969	\$ 112,378
Buildings and improvements	859,319	853,193
Furniture, fixtures and equipment	298,212	293,875
Construction in progress	<u>5,927</u>	<u>4,721</u>
	1,276,427	1,264,167
Less accumulated depreciation and amortization	<u>(626,080)</u>	<u>(596,909)</u>
	<u>\$ 650,347</u>	<u>\$ 667,258</u>

\$41,975 of land is held for sale to Colony (see Note 1).

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 5 - OTHER ASSETS**

Other assets as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Cost in excess of acquired assets, less accumulated amortization of \$260	\$ 17,581	\$ 17,581
Other	<u>218</u>	<u>223</u>
	<u>\$ 17,799</u>	<u>\$ 17,804</u>

**NOTE 6 - OTHER ACCRUED EXPENSES**

Other accrued expenses as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Accrued payroll and benefits	\$ 22,997	\$ 27,624
Insurance claims	4,996	6,997
Other	<u>12,444</u>	<u>11,975</u>
	<u>\$ 40,437</u>	<u>\$ 46,596</u>

**NOTE 7 - OTHER CURRENT LIABILITIES**

Other current liabilities as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Chip and token liability	\$ 2,627	\$ 2,430
Connection Card liability	3,303	2,667
Due to affiliates	2,561	3,120
Other	<u>2,794</u>	<u>2,483</u>
	<u>\$ 11,285</u>	<u>\$ 10,700</u>

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 8 - LONG-TERM DEBT-DUE TO AFFILIATES AND OTHER**

Long-term debt-due to affiliates and other as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Long-term debt due to affiliates:		
8.5% Note payable to Caesars Entertainment Finance Corporation ("CEFC") due January 1, 2009	\$500,000	\$ 500,000
8.5% Note payable to CEFC due May 31, 2011	33,500	33,500
8.5% Note payable to CEFC due May 31, 2011	50,000	50,000
8.5% Note payable to CEFC due April 30, 2013	<u>500</u>	<u>-</u>
	<u>\$584,000</u>	<u>\$ 583,500</u>
Long-term debt-other:		
Other secured and unsecured debt	<u>\$ 1,348</u>	<u>\$ 1,538</u>

In January 1999, the Company executed a \$500,000 note payable to CEI with interest at a rate of 8.5% per annum, payable on the last business day of each quarter. On July 1, 2000, CEI assigned the \$500,000 note to Park Place Finance Corporation. On March 9, 2004, Park Place Finance Corporation changed its name to Caesars Entertainment Finance Corporation. On June 1, 2001 the Company executed two notes payable in the amounts of \$33,500 and a \$50,000 to CEFC each with interest at a rate of 8.5% per annum, payable on the last business day of each quarter. In April 2004, the Company executed a \$500 note payable to CEFC with interest at a rate of 8.5% per annum, payable on the last business day of each month.

**NOTE 9 - OTHER LIABILITIES**

Other liabilities as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Retirement and other employee benefit plans	\$ 1,169	\$ 1,271
Other	<u>424</u>	<u>606</u>
	<u>\$ 1,593</u>	<u>\$ 1,877</u>

**NOTE 10 - CHARGES FROM AFFILIATES-MANAGEMENT FEE**

The Company and CEI have entered into an administrative services and management agreement. Under the agreement, CEI provides certain services to the Company in the conduct of its business including, but not limited to operations, marketing, banking, accounting, insurance, tax, regulatory and public company reporting, human resource and benefit administration and other administrative functions. In consideration for these services, the Company pays CEI a monthly management fee equal to three percent of revenues, as defined.



**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 11 - NONOPERATING INCOME (EXPENSE) - NET**

Nonoperating income (expense) for the three months ended September 30 consists of the following:

	<u>2004</u>	<u>2003</u>
Interest income	\$ 188	\$ 182
Gain (loss) on sale of assets	344	(7)
Equity in income of unconsolidated subsidiaries	4,780	4,499
Other	<u>226</u>	<u>226</u>
	<u>\$ 5,538</u>	<u>\$ 4,900</u>

Nonoperating income (expense) for the nine months ended September 30 consists of the following:

	<u>2004</u>	<u>2003</u>
Interest income	\$ 601	\$ 591
Gain (loss) on sale of assets	693	69
Equity in income of unconsolidated subsidiaries	5,736	9,141
Other	<u>677</u>	<u>677</u>
	<u>\$ 7,707</u>	<u>\$ 10,478</u>

# STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

  
Signature

Assistant Vice President/Controller  
Title

#7091-11  
License Number

On Behalf Of:  
Bally's Park Place, Inc. NJ  
Casino Licensee

STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



\_\_\_\_\_  
Signature

Vice President and Controller

Title

006243-11

License Number

On Behalf of:

GNOC, Corp. (Atlantic City Hilton)

Casino License